

NESHOBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

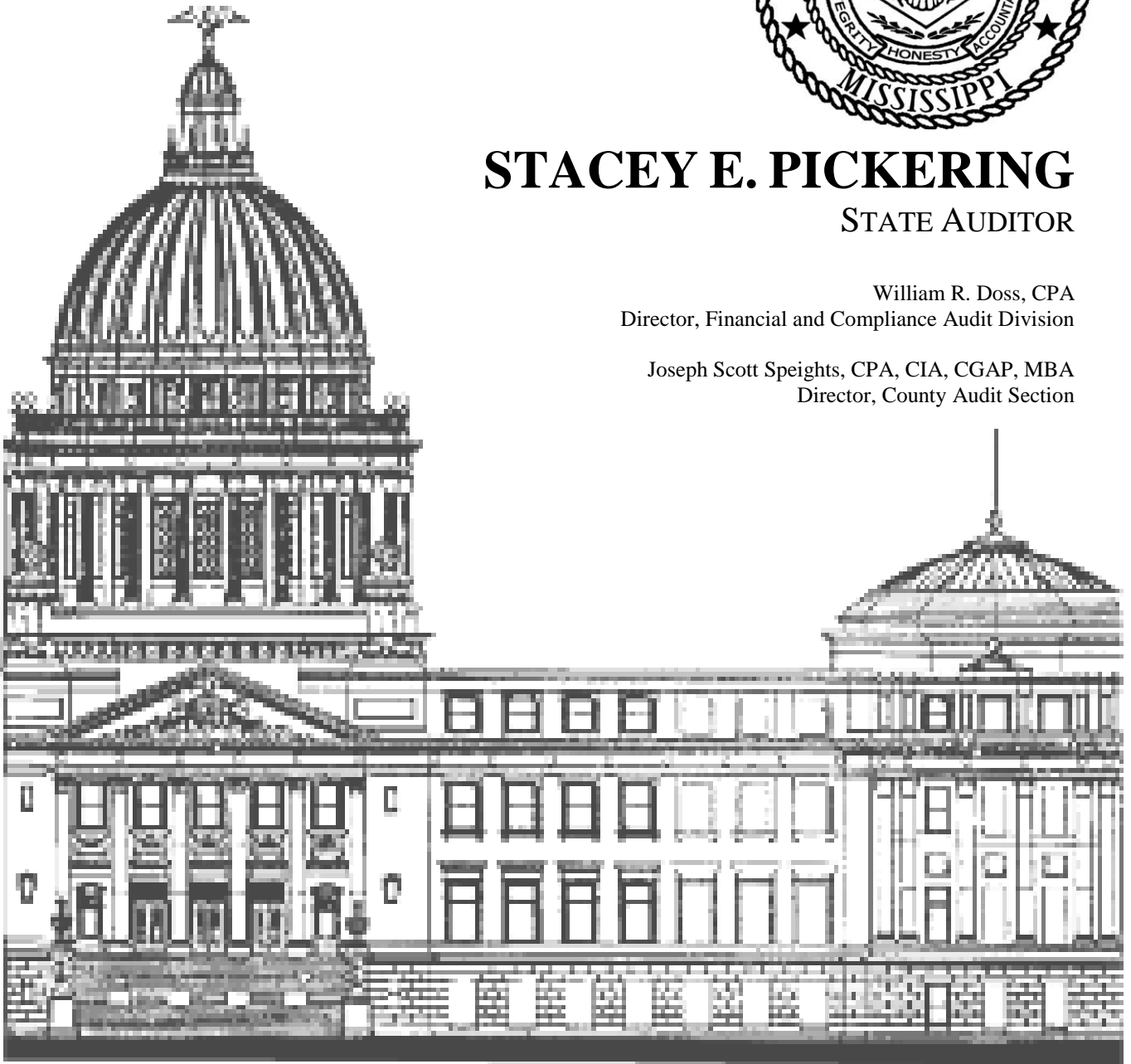


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

September 27, 2011

Members of the Board of Supervisors
Neshoba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Neshoba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Neshoba County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Neshoba County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

NESHOBA COUNTY

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NESHOBA COUNTY

FINANCIAL SECTION

NESHOBA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Neshoba County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011, on our consideration of Neshoba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Neshoba County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 27, 2011

NESHOBA COUNTY

FINANCIAL STATEMENTS

NESHOBA COUNTY

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NESHOBA COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 3,153,116	18,605	3,171,721
Property tax receivable	7,859,235		7,859,235
Accounts receivable (net of allowance for uncollectibles of \$93,066)		74,355	74,355
Fines receivable (net of allowance for uncollectibles of \$2,282,231)	275,093		275,093
Deferred charges-issuance cost	49,290		49,290
Intergovernmental receivables	175,687		175,687
Other receivables	5,673		5,673
Internal balances	543,152	(543,152)	0
Capital assets:			0
Land and construction in progress	978,153	50,585	1,028,738
Other capital assets, net	24,209,791	360,336	24,570,127
Total Assets	<u>37,249,190</u>	<u>(39,271)</u>	<u>37,209,919</u>
LIABILITIES			
Claims payable	859,993	7,568	867,561
Intergovernmental payables	170,832		170,832
Accrued interest payable	138,795	1,568	140,363
Deferred revenue	7,859,235		7,859,235
Unearned revenue		8,163	8,163
Other payables	35,971		35,971
Long-term liabilities			
Due within one year:			
Capital debt	921,083	129,622	1,050,705
Non-capital debt	520,000		520,000
Due in more than one year:			
Capital debt	8,568,427	234,112	8,802,539
Non-capital debt	2,437,105	2,586	2,439,691
Total Liabilities	<u>21,511,441</u>	<u>383,619</u>	<u>21,895,060</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,698,434	47,187	15,745,621
Restricted:			
Expendable:			
General government	18,107		18,107
Debt service	475,794		475,794
Public safety	727,311		727,311
Public works	165,956		165,956
Culture and recreation	17,350		17,350
Capital projects	132,983		132,983
Unrestricted	(1,498,186)	(470,077)	(1,968,263)
Total Net Assets	<u>\$ 15,737,749</u>	<u>(422,890)</u>	<u>15,314,859</u>

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,213,092	402,538	14,357		(2,796,197)		(2,796,197)
Public safety	2,909,282	518,391	26,714	167,599	(2,196,578)		(2,196,578)
Public works	4,890,312		642,332	598,671	(3,649,309)		(3,649,309)
Health and welfare	147,526		354,313	72,794	279,581		279,581
Culture and recreation	917,914				(917,914)		(917,914)
Conservation of natural resources	85,080				(85,080)		(85,080)
Economic development and assistance	503,727				(503,727)		(503,727)
Interest on long-term debt	537,335				(537,335)		(537,335)
Total Governmental Activities	<u>13,204,268</u>	<u>920,929</u>	<u>1,037,716</u>	<u>839,064</u>	<u>(10,406,559)</u>		<u>(10,406,559)</u>
Business-type activities:							
Solid Waste	374,541	349,460	37,726			12,645	12,645
Total Business-type Activities	<u>374,541</u>	<u>349,460</u>	<u>37,726</u>			<u>12,645</u>	<u>12,645</u>
Total Primary Government	<u>\$ 13,578,809</u>	<u>1,270,389</u>	<u>1,075,442</u>	<u>839,064</u>	<u>(10,406,559)</u>	<u>12,645</u>	<u>(10,393,914)</u>
General revenues:							
Property taxes					\$ 7,510,818		7,510,818
Road & bridge privilege taxes					321,389		321,389
Grants and contributions not restricted to specific programs					786,141		786,141
Unrestricted interest income					31,387	244	31,631
Miscellaneous					<u>337,729</u>	<u>40</u>	<u>337,769</u>
Total General Revenues					<u>8,987,464</u>	<u>284</u>	<u>8,987,748</u>
Changes in Net Assets					(1,419,095)	12,929	(1,406,166)
Net Assets - Beginning					<u>17,156,844</u>	<u>(435,819)</u>	<u>16,721,025</u>
Net Assets - Ending					<u>\$ 15,737,749</u>	<u>(422,890)</u>	<u>15,314,859</u>

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	Major Funds				Other	Total
	General	County Unit	Countywide	Road and Bridge	Governmental	Governmental
	Fund	Road	Bridge and Culvert	Construction	Funds	Funds
	Fund	Fund	Fund	Fund		
ASSETS						
Cash	\$ 994,005	44,983	82,342	480,955	1,550,831	3,153,116
Property tax receivable	4,621,867	424,000	1,288,572		1,524,796	7,859,235
Fines receivable (net of allowance for uncollectibles of \$2,282,231)	275,093					275,093
Intergovernmental receivables	102,893				72,794	175,687
Other receivables	5,673					5,673
Due from other funds	300,816	34,693	23,717		24,934	384,160
Advances to other funds	194,853	86,362				281,215
Total Assets	\$ 6,495,200	590,038	1,394,631	480,955	3,173,355	12,134,179
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 141,328	96,254	3,237	503,867	115,307	859,993
Intergovernmental payables	161,533					161,533
Due to other funds	92,643					92,643
Advances from other funds	32,229	6,650				38,879
Deferred revenue	4,896,960	424,000	1,288,572		1,524,796	8,134,328
Other payables	35,971					35,971
Total Liabilities	5,360,664	526,904	1,291,809	503,867	1,640,103	9,323,347
Fund balances:						
Reserved for:						
Debt service					614,589	614,589
Advances	194,853	86,362				281,215
Unreserved - undesignated, reported in:						
General Fund	939,683					939,683
Special Revenue Funds		(23,228)	102,822		762,768	842,362
Capital Project Funds				(22,912)	155,895	132,983
Total Fund Balances	1,134,536	63,134	102,822	(22,912)	1,533,252	2,810,832
Total Liabilities and Fund Balances	\$ 6,495,200	590,038	1,394,631	480,955	3,173,355	12,134,179

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,810,832
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$11,902,304.	25,187,944
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	275,093
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,446,615)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(138,795)
Deferred Charges - Issuance Cost	<u>49,290</u>
Total Net Assets - Governmental Activities	\$ <u><u>15,737,749</u></u>

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Funds					
	General	County Unit	Countywide	Road and Bridge	Other	Total
	Fund	Road	Bridge and Culvert	Construction	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
REVENUES						
Property taxes	\$ 4,198,868	449,312	1,431,409		1,431,229	7,510,818
Road and bridge privilege taxes		321,389				321,389
Licenses, commissions and other revenue	234,510				8,372	242,882
Fines and forfeitures	362,068					362,068
Intergovernmental revenues	1,003,356	607,935			1,051,630	2,662,921
Charges for services	154,031				248,554	402,585
Interest income	12,351		989	9,256	8,791	31,387
Miscellaneous revenues	272,605	9,141			50,333	332,079
Total Revenues	6,237,789	1,387,777	1,432,398	9,256	2,798,909	11,866,129
EXPENDITURES						
Current:						
General government	2,992,003				2,123	2,994,126
Public safety	2,259,369				287,041	2,546,410
Public works		1,371,251	1,214,503	1,639,946	635,368	4,861,068
Health and welfare	172,526					172,526
Culture and recreation	595,715				218,484	814,199
Conservation of natural resources	85,080					85,080
Economic development and assistance	67,680				392,794	460,474
Debt service:						
Principal	218,615		165,578		999,976	1,384,169
Interest	24,247		25,698		443,586	493,531
Total Expenditures	6,415,235	1,371,251	1,405,779	1,639,946	2,979,372	13,811,583
Excess of Revenues over (under) Expenditures	(177,446)	16,526	26,619	(1,630,690)	(180,463)	(1,945,454)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	45,752					45,752
Compensation for loss of capital assets	6,650					6,650
Total Other Financing Sources and Uses	52,402	0	0	0	0	52,402
Net Changes in Fund Balances	(125,044)	16,526	26,619	(1,630,690)	(180,463)	(1,893,052)
Fund Balances - Beginning	1,259,580	46,608	76,203	1,607,778	1,713,715	4,703,884
Fund Balances - Ending	\$ 1,134,536	63,134	102,822	(22,912)	1,533,252	2,810,832

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,893,052)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$568,866 were exceeded by depreciation of \$1,278,806 in the current period.	(709,940)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$5,650 and the compensation for loss of capital assets of \$6,650 in the current period.	(1,000)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(86,606)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,384,169 exceeded debt proceeds of \$45,752.	1,338,417
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absence liability	(14,148)
The amount of increase in accrued interest payable	(29,908)
The amortization of:	
Issuance cost on refunding bond	(8,962)
Refunding bond deferred charges	(9,466)
Discount on refunding bond	(4,430)
Change in Net Assets of Governmental Activities	\$ <u><u>(1,419,095)</u></u>

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2010

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 18,605
Accounts receivable (net of allowance for uncollectibles of \$93,066)	74,355
Advances to other funds	6,650
Total Current Assets	<u>99,610</u>
Noncurrent assets:	
Capital assets:	
Land	50,585
Other capital assets, net	360,336
Total Noncurrent Assets	<u>410,921</u>
Total Assets	<u>510,531</u>
LIABILITIES	
Current liabilities:	
Claims payable	7,568
Due to other funds	300,816
Advances from other funds	248,986
Accrued interest payable	1,568
Unearned revenue	8,163
Capital debt:	
Capital leases payable	77,725
Other long-term liabilities	51,897
Total Current Liabilities	<u>696,723</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	180,165
Other long-term liabilities	53,947
Non-capital debt:	
Compensated absences payable	2,586
Total Noncurrent Liabilities	<u>236,698</u>
NET ASSETS	
Invested in capital assets, net of related debt	47,187
Unrestricted	(470,077)
Total Net Assets	\$ <u>(422,890)</u>

The notes to the financial statements are an integral part of this statement.

NESHOPA COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 349,460
Operating grants	37,726
Miscellaneous	40
Total Operating Revenues	<u>387,226</u>
Operating Expenses	
Personal services	106,999
Contractual services	145,909
Materials and supplies	37,899
Depreciation expense	35,177
Indirect administrative cost	33,068
Total Operating Expenses	<u>359,052</u>
Operating Income (Loss)	<u>28,174</u>
Nonoperating Revenues (Expenses)	
Interest income	244
Interest expense	(15,489)
Net Nonoperating Revenue (Expenses)	<u>(15,245)</u>
Changes in Net Assets	12,929
Net Assets - Beginning	<u>(435,819)</u>
Net Assets - Ending	\$ <u><u>(422,890)</u></u>

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2010

Exhibit 7

	Business-type Activities - Enterprise Fund Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 349,489
Payments to suppliers	(187,065)
Payments to employees	(106,843)
Other operating cash receipts	37,766
Net Cash Provided (Used) by Operating Activities	<u>93,347</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	267,748
Interfund loan repayments	(225,060)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>42,688</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(125,094)
Interest paid on debt	(15,972)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(141,066)</u>
Cash Flows From Investing Activities	
Interest on deposits	244
Net Cash Provided (Used) by Investing Activities	<u>244</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,787)
Cash and Cash Equivalents at Beginning of Year	<u>23,392</u>
Cash and Cash Equivalents at End of Year	<u>\$ 18,605</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 28,174
Adjustments to reconcile operating income to net cash	
provided (used) by operating activities:	
Depreciation expense	35,177
Provision for uncollectible accounts	7,997
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(16,131)
Increase (decrease) in claims payable	(3,257)
Increase (decrease) in compensated absences liability	156
Increase (decrease) in unearned revenue	8,163
Increase (decrease) in interfund payables	33,068
Total Adjustments	<u>65,173</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 93,347</u>

Noncash Capital Financing Activity:

Neshoba County lease purchased mobile equipment for \$58,800 for 5 years at 4.07% interest.
Principal payments of \$11,941 were made on the lease during the year.
Neshoba County lease purchased mobile equipment for \$332,052 for 5 years at 3.21% interest.
Principal payments of \$63,228 were made on the lease during the year.
Neshoba County has a loan for landfill construction for \$250,000 for 5 years at 3.95% interest.
Principal payments of \$49,925 were made on the lease during the year.

The notes to the financial statements are an integral part of this statement.

NESHOBA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	201,811
Due from other funds		9,299
Total Assets	\$	<u>211,110</u>
LIABILITIES		
Amounts held in custody for others	\$	8,579
Intergovernmental payables		<u>202,531</u>
Total Liabilities	\$	<u>211,110</u>

The notes to the financial statements are an integral part of this statement.

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Neshoba County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Neshoba County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Neshoba County Public Library
- Neshoba County General Hospital and Nursing Home
- Neshoba County Industrial Development Authority
- Linwood Volunteer Fire District
- House Volunteer Fire District
- County Line Volunteer Fire District
- Dixon Volunteer Fire District
- Tucker Volunteer Fire District
- Fairview Volunteer Fire District
- Hope Volunteer Fire District
- Northbend Volunteer Fire District
- East Neshoba Volunteer Fire District
- Longino Volunteer Fire District
- Arlington Volunteer Fire District
- Stallo Volunteer Fire District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit balances and transactions are blended with the balances and transactions of the primary government.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The Neshoba County Public Improvement Corporation is governed by a three-member board of directors appointed by the County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose was to finance and construct a jail for Neshoba County prisoners. The corporation did not have any activity for the year ended September 30, 2010.

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The county's Proprietary Funds and business-type activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

County Unit Road Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge and Culvert Fund - Accounts for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

Road and Bridge Construction Fund - Accounts for monies from bond revenues that are restricted for the construction of road and bridges.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Neshoba County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$3,373,532, and the bank balance was \$3,375,220. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Fund	\$ 300,816
County Unit Road Fund	General	34,693
Countywide Bridge and Culvert	General	23,717
Other Governmental Funds	General	24,934
Agency Funds	General	9,299
Total		<u>\$ 393,459</u>

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The amount due to the General Fund from the Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2010 fiscal year and an operating loan. The amount due to the County Unit Road Fund, Countywide Bridge and Culvert Fund, other governmental funds, and agency funds represents ad valorem taxes collected by the Tax Collector in September 2010, but not remitted to the county until October 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Fund	\$ 194,853
County Unit Road Fund	General	32,229
County Unit Road Fund	Solid Waste Fund	54,133
Solid Waste Fund	County Unit Road Fund	6,650
Total		\$ <u>287,865</u>

The amounts due to the General Fund and County Unit Road Fund from the Solid Waste Fund represent indirect administrative costs incurred in previous fiscal years that have never been paid to the General Fund, and the County Unit Road Fund. The amount due to the County Unit Road Fund from the General Fund, represents services provided for the coliseum in the previous fiscal year. The amount due to the Solid Waste Fund for the County Unit Road Fund was for an operating loan. None of these advances are expected to be paid within one year.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 95,470
Community development block grant	72,794
Enforcing underage drinking laws program	7,423
Total Governmental Activities	\$ <u>175,687</u>

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 434,373	25,000			459,373
Construction in progress	3,452,151	498,114		(3,431,485)	518,780
Total non-depreciable capital assets	3,886,524	523,114	0	(3,431,485)	978,153
<u>Depreciable capital assets:</u>					
Infrastructure	8,700,811			3,431,485	12,132,296
Buildings	9,523,287				9,523,287
Improvements other than buildings	4,934,611				4,934,611
Mobile equipment	6,408,913		10,000	203,591	6,602,504
Furniture and equipment	749,607			145,362	894,969
Leased property under capital leases	2,327,629	45,752		(348,953)	2,024,428
Total depreciable capital assets	32,644,858	45,752	10,000	3,431,485	36,112,095
<u>Less accumulated depreciation for:</u>					
Infrastructure	738,973	377,367			1,116,340
Buildings	2,446,022	180,915			2,626,937
Improvements other than buildings	1,507,565	175,618			1,683,183
Mobile equipment	4,608,612	265,423	9,000	101,881	4,966,916
Furniture and equipment	636,367	43,124		74,758	754,249
Leased property under capital leases	694,959	236,359		(176,639)	754,679
Total accumulated depreciation	10,632,498	1,278,806	9,000	0	11,902,304
Total depreciable capital assets, net	22,012,360	(1,233,054)	1,000	3,431,485	24,209,791
Governmental activities capital assets, net	\$ 25,898,884	(709,940)	1,000	0	25,187,944

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,585				50,585
Total non-depreciable capital assets	50,585	0	0	0	50,585
<u>Depreciable capital assets:</u>					
Mobile equipment	504,207				504,207
Leased property under capital leases	390,852				390,852
Total depreciable capital assets	895,059	0	0	0	895,059
<u>Less accumulated depreciation for:</u>					
Mobile equipment	453,786				453,786
Leased property under capital leases	45,760	35,177			80,937
Total accumulated depreciation	499,546	35,177	0	0	534,723
Total depreciable capital assets, net	395,513	(35,177)	0	0	360,336
Business-type activities capital assets, net	\$ 446,098	(35,177)	0	0	410,921

* All adjustments represent reclassification from construction in progress to infrastructure and reclassification of leased property under capital assets to mobile equipment and other furniture and equipment, along with related accumulated depreciation.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 209,407
Public safety	399,181
Public works	523,375
Culture and recreation	103,590
Economic development	43,253
Total governmental activities depreciation expense	\$ 1,278,806
<u>Business-type activities:</u>	
Solid waste	\$ 35,177
Total business-type activities depreciation expense	\$ 35,177

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
SAP-50 (99)	\$ 21,401	Mar-11
STP-0050(33)B	2,704,800	Jun-13
BR-0555(3)B	265,211	Oct-12
BR-0590(4)B	381,740	Oct-11

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$46,000 for the year ended September 30, 2010. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2011	\$ 45,996
2012	45,996
2013	45,996
2014	<u>34,497</u>
Total Minimum Payments Required	<u>\$ 172,485</u>

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,357,544	390,852
Furniture and equipment	<u>666,884</u>	<u> </u>
Total	2,024,428	390,852
Less: Accumulated depreciation	<u>(754,679)</u>	<u>(80,937)</u>
Leased Property Under Capital Leases	<u>\$ 1,269,749</u>	<u>309,915</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 364,768	35,382	77,725	7,265
2012	604,727	13,713	74,904	4,692
2013	65,456	1,622	69,610	2,361
2014	23,532	480	35,651	335
2015	<u>1,996</u>	<u>5</u>	<u> </u>	<u> </u>
Total	<u>\$ 1,060,479</u>	<u>51,202</u>	<u>257,890</u>	<u>14,653</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Park construction – 2005	\$ 3,300,000	3.60/4.00%	06/2025
Courthouse construction	2,720,000	4.20/6.00%	10/2021
Library renovation	205,000	4.00/4.25%	08/2012
2009 Refunding	2,735,000	2.25/3.00%	03/2016
2009 Road and Bridge	<u>1,900,000</u>	2.80/4.00%	05/2024
Total General Obligation Bonds	<u>\$ 10,860,000</u>		
B. Capital Leases:			
Image Pro 2005	\$ 6,007	3.80%	10/2010
3 Crown vics	20,872	3.17%	08/2011
Ford F350 ambulance	24,186	4.43%	09/2012
3 police cars	9,493	4.18%	04/2011
2 2007 Mack trucks	63,510	4.07%	03/2012
20 ton Tag a long trailer	5,773	4.07%	03/2012

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Caterpillar wheel loader	151,170	4.07%	02/2012
Caterpillar wheel loader	163,707	4.07%	02/2012
Caterpillar trackhoe	163,680	4.07%	02/2012
New E-911 equipment	255,050	4.12%	12/2012
3 Police cars	40,811	3.08%	06/2012
2008 E-350 Ford Ambulance	21,165	3.19%	03/2012
Computer based CAD system	91,731	3.24%	10/2014
2 2010 Crown Victorias	43,324	3.20%	06/2013
Total Capital Leases	\$ <u>1,060,479</u>		
C. Other Loans:			
MDA Cap Imp Rev Loan spec building	\$ 223,171	3.00%	10/2014
TVA Loan spec building	285,860	2.00%	09/2014
Total Other Loans	\$ <u>509,031</u>		
Business-type Activities:			
A. Capital Leases:			
Transfer trailer	\$ 19,928	4.07%	04/2012
Garbage trucks	237,962	3.21%	03/2014
Total Capital Leases	\$ <u>257,890</u>		
B. Other Loans:			
Landfill construction	\$ <u>105,844</u>	3.95%	05/2012

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2011	\$ 955,000	386,797
2012	995,000	353,912
2013	930,000	319,834
2014	950,000	288,380
2015	995,000	255,177
2016 – 2020	3,455,000	845,516
2021 – 2025	2,580,000	227,978
Total	\$ <u>10,860,000</u>	<u>2,677,594</u>

NESHOPA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Year Ending September 30	Other Loans	
	Principal	Interest
2011	\$ 121,315	11,043
2012	124,285	8,073
2013	127,352	5,006
2014	136,079	1,871
Total	<u>\$ 509,031</u>	<u>25,993</u>

Business-type Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2011	\$ 51,897	4,181
2012	53,947	2,131
Total	<u>\$ 105,844</u>	<u>6,312</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 6.66% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 79,380	14,148			93,528	
General obligation bonds	11,735,000		875,000		10,860,000	955,000
Less:						
Deferred amount on refunding	(61,534)		(9,466)		(52,068)	
Discounts	(28,785)		(4,430)		(24,355)	
Capital leases	1,438,607	45,752	423,880		1,060,479	364,768
Other loans	<u>594,320</u>		<u>85,289</u>		<u>509,031</u>	<u>121,315</u>
Total	<u>\$ 13,756,988</u>	<u>59,900</u>	<u>1,370,273</u>	<u>0</u>	<u>12,446,615</u>	<u>1,441,083</u>
Business-type Activities:						
Compensated absences	\$ 2,430	156			2,586	
Capital leases	333,059		75,169		257,890	77,725
Other loans	<u>155,769</u>		<u>49,925</u>		<u>105,844</u>	<u>51,897</u>
Total	<u>\$ 491,258</u>	<u>156</u>	<u>125,094</u>	<u>0</u>	<u>366,320</u>	<u>129,622</u>

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund and Solid Waste Fund.

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2010:

Fund	Deficit Amount
Road and Bridge Construction Fund	\$ 22,912
Solid Waste Fund	422,890

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Neshoba County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$550,053 for the maintenance and support of the college in fiscal year 2010.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Neshoba County Board of Supervisors appoints two of the 26 board members. The county provided no financial support in fiscal year 2010.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$17,419 for support of the district in fiscal year 2010.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Neshoba County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$23,658 for support of the commission in fiscal year 2010.

NESHOBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(13) Defined Benefit Pension Plan.

Plan Description. Neshoba County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$455,992, \$442,477 and \$422,383, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/15/2010	3.00%	\$	550,000	Other loan	Rental Income
02/01/2011	3.00%		361,975	Other loan	Rental Income
02/02/2011	3.05%		41,627	Capital lease	Ad valorem taxes
04/01/2011	3.00%		48,189	Other loan	Rental Income
05/19/2011	2.00-3.50%		2,470,000	General obligation bonds	Ad valorem taxes
09/13/2011	3.07%		94,605	Capital lease	Fire Equipment Funds
08/15/2011	3.00%		70,864	Capital lease	Ad valorem taxes
08/15/2011	3.07%		21,940	Capital lease	Rental Income

NESHOBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NESHOBA COUNTY

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NESHOBA COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,674,528	4,401,400	4,401,400	0
Licenses, commissions and other revenue	237,000	233,867	233,867	0
Fines and forfeitures	340,000	370,650	370,650	0
Intergovernmental revenues	1,191,500	1,256,540	1,256,540	0
Charges for services	150,000	154,031	154,031	0
Interest income	15,000	12,491	12,491	0
Miscellaneous revenues	67,000	324,618	324,648	30
Total Revenues	<u>6,675,028</u>	<u>6,753,597</u>	<u>6,753,627</u>	<u>30</u>
EXPENDITURES				
Current:				
General government	3,145,625	3,042,192	3,042,036	156
Public safety	2,151,304	2,345,610	2,345,610	0
Health and welfare	155,198	148,879	148,879	0
Culture and recreation	521,063	589,225	589,225	0
Education	325,000	318,187	318,187	0
Conservation of natural resources	82,024	84,688	84,688	0
Economic development and assistance	176,832	187,757	170,240	17,517
Debt service:				
Principal			16,937	(16,937)
Interest			580	(580)
Total Expenditures	<u>6,557,046</u>	<u>6,716,538</u>	<u>6,716,382</u>	<u>156</u>
Excess of Revenues over (under) Expenditures	<u>117,982</u>	<u>37,059</u>	<u>37,245</u>	<u>186</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		4,599	4,599	0
Other financing uses		30		(30)
Other financing uses	(117,982)	(6,095)	(6,095)	0
Total Other Financing Sources and Uses	<u>(117,982)</u>	<u>(1,466)</u>	<u>(1,496)</u>	<u>(30)</u>
Net Change in Fund Balance	0	35,593	35,749	156
Fund Balances - Beginning	<u>899,714</u>	<u>711,600</u>	<u>711,700</u>	<u>100</u>
Fund Balances - Ending	<u>\$ 899,714</u>	<u>747,193</u>	<u>747,449</u>	<u>256</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

NESHOBA COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Unit Road Fund
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 456,654	449,478	449,478	
Road and bridge privilege taxes	400,000	369,099	369,099	
Licenses, commissions and other revenue	6,500	15,546	15,546	
Intergovernmental revenues	530,000	483,116	483,116	
Miscellaneous revenues		9,141	9,141	
Total Revenues	<u>1,393,154</u>	<u>1,326,380</u>	<u>1,326,380</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,393,154</u>	<u>1,368,760</u>	<u>1,368,760</u>	
Total Expenditures	<u>1,393,154</u>	<u>1,368,760</u>	<u>1,368,760</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(42,380)</u>	<u>(42,380)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>0</u>	<u>60,947</u>	<u>60,947</u>	
Total Other Financing Sources and Uses	<u>0</u>	<u>60,947</u>	<u>60,947</u>	<u>0</u>
Net Change in Fund Balance	<u>0</u>	<u>18,567</u>	<u>18,567</u>	
Fund Balances - Beginning	<u>200,000</u>	<u>26,416</u>	<u>26,416</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 200,000</u>	<u>44,983</u>	<u>44,983</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

NESHOBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,324,378	1,434,990	1,434,990	
Interest income		989	989	
Total Revenues	<u>1,324,378</u>	<u>1,435,979</u>	<u>1,435,979</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,324,378	1,405,021	1,213,745	191,276
Debt service:				
Principal			165,569	(165,569)
Interest			25,707	(25,707)
Total Expenditures	<u>1,324,378</u>	<u>1,405,021</u>	<u>1,405,021</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>30,958</u>	<u>30,958</u>	
Net Change in Fund Balance		30,958	30,958	
Fund Balances - Beginning	<u>100,000</u>	<u>51,384</u>	<u>51,384</u>	
Fund Balances - Ending	<u>\$ 100,000</u>	<u>82,342</u>	<u>82,342</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

NESHOBA COUNTY

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NESHOPA COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	General Fund	Road Fund	County Wide Bride and Culvert Fund
Budget (Cash Basis)	\$ 35,749	18,567	30,958
Increase (Decrease)			
Net adjustments for revenue accruals	(177,903)	450	(3,581)
Net adjustments for expenditure accruals	17,110	(2,491)	(758)
GAAP Basis	\$ <u>(125,044)</u>	<u>16,526</u>	<u>26,619</u>

NESHOBA COUNTY

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NESHOBA COUNTY

SPECIAL REPORTS

NESHOBA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Neshoba County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Neshoba County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 27, 2011. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neshoba County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-1 and 10-2 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 10-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Neshoba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Neshoba County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 27, 2011



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Neshoba County, Mississippi

We have examined Neshoba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Neshoba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

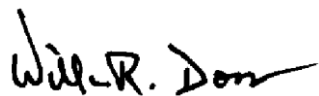
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Neshoba County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Neshoba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Neshoba County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 27, 2011

NESHOBA COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

NESHOBA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

NESHOBA COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

NESHOBA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Neshoba County, Mississippi

In planning and performing our audit of the financial statements of Neshoba County, Mississippi for the year ended September 30, 2010, we considered Neshoba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Neshoba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 27, 2011, on the financial statements of Neshoba County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 27, 2011

NESHOBA COUNTY

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NESHOBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NESHOBA COUNTY

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NESHOBA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | County Unit Road Fund | Unqualified |
| | Countywide Bridge and Culvert Fund | Unqualified |
| | Road and Bridge Construction Fund | Unqualified |
| | Solid Waste Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

Failure to prepare financial statements

10-1. Finding

A critical aspect of effective financial management is the presentation of accurate financial statements. As reported in the last two years' audit reports, management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the qualifications and training to apply generally accepted accounting principles in reporting the entity's financial statements, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and notes disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

Neshoba County's policy is to provide accurate information to the agency charged to prepare the county's financial statements and annual audit. Neshoba County feels it is more cost effective to have the formal financial statements prepared at the time the audit is performed. However, in response to the Office of the State Auditor's recommendation the Board of Supervisors will comply with the finding.

NESHOPA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2010

Auditor's Note

While the Office of the State Auditor is the agency charged with performing the annual audit, management of Neshoba County is charged with the responsibility for preparing its financial statements in accordance with generally accepted accounting principles.

Significant Deficiency – Material Weakness

Failure to provide the financial data for discretely presented component units

10-2. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county's legally separate component units. As reported in the last three years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

Neshoba County, by authority of the Board of Trustees of Neshoba County General Hospital and Nursing Home, issues financial statements for the Neshoba County General Hospital and Nursing Home under separate cover of The Neshoba County General Hospital and Nursing Home. Neshoba County by and thru the Board of Trustees of the Neshoba County Public Library issues financial statements for the Neshoba County Public Library under separate cover of the Philadelphia-Neshoba County Public Library. Neshoba County issues financial statements under the discretion of the board of directors of the Industrial Development Authority of Neshoba County. All of the above are made available for public review and made available to the Office of the State Auditor. Due to funding limitations, the twelve fire protection districts of Neshoba County do not have available funds in order to have prepared financial statements and or audits prepared.

Circuit Clerk.

Significant Deficiency

Improper posting of court costs payments to fines receivable schedule

10-3. Finding

An effective system of internal control over fines receivable should include procedures to ensure that payments of fines are properly posted to the fines receivable bookkeeping system. The Circuit Clerk was incorrectly posting court costs payments to the fines receivable bookkeeping system which resulted in an understatement of fines receivable at year end. Posting errors, if not detected by the Circuit Clerk's internal controls, could result in a misstatement of fines receivable.

NESHOBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Recommendation

The Circuit Clerk should establish procedures to ensure that payments on fines are properly recorded and end of year fine balances agree with subsidiary records.

Circuit Clerk's Response

While I do not totally agree with the finding of the field auditor as regards the fines receivable of Neshoba County, I do accept the recommendation and will strive to implement the suggested changes and will continue to maintain the fines receivable account to the best of the ability and skills of this office.